

QUANTUM FINANCIAL SERVICES INC.

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Indianapolis, IN 46250

Phone: 317-845-1786

March 27<sup>th</sup> 2020

Form ADV Part 2A.

Brochure

This Brochure provides information about the qualifications and business practices of Quantum Financial Services Inc. If you have any questions about the contents of this Brochure, please contact us at 317-845-1786. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Quantum Financial Services Inc is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Quantum Financial Services Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Jack T. Kowal President at 317-845-1786.

Additional information about Quantum Financial Services Inc. is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with Quantum Financial Services Inc. who are registered, or are required to be registered, as investment adviser representatives of Quantum Financial Services Inc.

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#### **Item 4 – Advisory Business**

Quantum Financial Services Inc. was started in 1984 and its Principal owner is Jack T. Kowal who owns 100% of the equity of the company. The firm is not publicly owned or traded. As of December 31, 2019 the firm managed \$222,401,564. Clients assets are managed on an individual basis and our clients may impose restrictions on their accounts.

Our clients may select from a variety of services, which we define as Portfolio management, Investment consulting and Financial and Estate planning. Based on client needs, portfolios are designed and managed using a mix of investments including but not limited to the following:

- Individual Stocks
- Covered Calls and Puts
- Individual Fixed Income Securities
- Mutual Funds
- Other Investments that might be requested from time to time

Restrictions:

In all cases the client will have an opportunity to approve or disapprove all investment selections. By disapproving some investment selections the client understands that this might change the investment allocation selected by the advisor.

#### **Item 5 – Fees and Compensation**

Our clients may select from a variety of services, which we define as portfolio management services, Investment allocation and Financial and Estate planning. Based on client needs, portfolios are designed and managed using a mix of investments including but not limited to the following:

- Individual Stocks
- Covered Calls and Puts
- Individual Fixed Income Securities
- Mutual Funds
- Other Investments that might be requested from time to time

## Restrictions:

In all cases the client will have an opportunity to approve or disapprove all investment selections. By disapproving some investment selections the client understands that this might change the investment allocation selected by the advisor.

## Portfolio Management Fee Schedule

Factors we consider when determining fees include, but are not limited to the following:

- Size of portfolio under management
- Complexity of your needs
- Types of securities to be purchased
- The amount of non-managed assets
- The extent of additional services to be provided

## Standard Fee Schedule

- a) 1.00% of invested Equity and Mutual Fund Values less than \$400,000.00
  - \$400,000 - \$750,000 (.75%)
  - \$750,000 and above (.50%)
- b) Individual Bonds .25%
- c) There will be no charge for holding cash or cash equivalents

## Fee Payment

If authorized, we will deduct the fee directly from the client account. Advisory fees are billed quarterly in arrears and are prorated for a partial quarter. Under certain circumstances this fee schedule may be negotiable.

We charge advisory fees based upon the valuation as determined by our internal portfolio management system which interfaces and is reconciled with the client's directed custodian on the last business day of the quarter. The valuation on which fees are based may be slightly different from the value on the custodian statement (the valuation may be higher or lower).

Quantum Financial Services Inc.'s fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers,



custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to Quantum Financial Services Inc fee. Quantum Financial Services Inc shall not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that Quantum Financial Services Inc considers in selecting or recommending broker-dealers for *client* transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

Financial plans encompass the following areas:

- Estate Planning and Goals
- Retirement Planning
- Education Planning
- Insurance Planning and Risk Management
- Investments

#### Fixed Fees

Fees are typically determined by estimation of the number of hours to be spent on preparing the plan and then quoting a fixed price. The fees are based on an hourly rate of \$275 per hour. The fees can range from \$1200 to \$20,000 or higher. The second year fee is typically 50% of the first year fee with a minimum of \$1200. There are no set plans as they are all customized for the individual client. Our plans are not delivered in a book form. They are delivered on a critical needs basis. The plan will highlight needs that should be taken care of first.

#### Termination

All advisory agreements can be terminated upon written notification by either party. Upon a written 30 day notice the specific program will be terminated with a prorated return of any fees.

## **Item 6 – Performance-Based Fees**

Quantum Financial Services Inc. does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

## **Item 7 – Types of Clients**

Quantum Financial Services Inc. provides portfolio management services to individuals, high net worth individuals, corporate pension and profit-sharing plans, trusts, estates, charitable organizations, corporations or other business entities not listed above.

## **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

Any investment is subject to the risk that it may decline in value. Actively managed portfolios are subject to the risk that its investment adviser will make poor security selections. Quantum Financial Services Inc. applies its own investment techniques and risk analyses in making investment decisions for the portfolio, but there can be no guarantee that they will produce the desired results. Liquidity risk exists when particular investments are difficult to purchase or sell. The market for certain investments may become illiquid due to specific adverse changes in conditions.

Quantum Financial Services Inc. will use various resources to obtain information on our investment selections. Some of these sources are but not limited to Morning Star, Ned Davis, Standard and Poor's. Ultimately the investment allocations are determined by Quantum Financial Services Inc.'s investment advisors using a combination of Fundamental and Quantitative Analysis.

The applicant will review on a periodic basis the investments of each account. On at least an annual basis the applicant will review the financial position of each client to determine if there should be any adjustments to their goals. At clients request we will meet to discuss their specific goals and objectives.

Clients will receive monthly statements directly from the financial institutions with custody of their accounts.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Quantum Financial Services Inc or the integrity of Quantum Financial Services Inc's management. Quantum Financial Services Inc has no Disciplinary information to disclose applicable to this Item.

## **Item 10 – Other Financial Industry Activities and Affiliations**

Registered investment advisers are required to disclose all material facts regarding any Financial Industry Activities and Affiliations that would be material to your evaluation of Quantum Financial Services Inc or the integrity of Quantum Financial Services Inc's management. Quantum Financial Services Inc has no Financial Industry Activities and Affiliations to disclose applicable to this Item.

## **Item 11 – Code of Ethics**

A Code of Ethics has been developed to provide general ethical guidelines and specific instructions regarding our duties to you as our client. A copy of this Code of Ethics can be seen below.

### ***I. Introduction and Overview***

In our efforts to ensure that QUANTUM FINANCIAL SERVICES INC. develops and maintains a reputation for integrity and high ethical standards, it is essential not only that QUANTUM FINANCIAL SERVICES INC. and its employees comply with relevant federal and state securities laws, but also that we maintain high standards of personal and professional conduct. QUANTUM FINANCIAL SERVICES INC'S Code of Ethics is designed to help ensure that we conduct our business consistent with these high standards.

The policies and procedures set forth in the Code apply to all employees of the firm. Failure to comply with the Code may result in disciplinary action, including termination of employment.



**QUANTUM FINANCIAL SERVICES INC. holds the following principles:**

- We are fiduciaries. Our duty is at all times to place the interests of our clients first.
- All personal securities transactions will be conducted in such a manner as to be consistent with the Code of Ethics and to avoid any actual or potential conflict of interest or any abuse of an employee's position of trust and responsibility.
- No employee should take inappropriate advantage of their position.
- The fiduciary principle that information concerning the identity of security holdings and financial circumstances of any clients is confidential.
- The principle that independence in the investment decision-making process is paramount.

***II. Standards of Business Conduct***

All employees must comply with all applicable federal and state securities laws. Employees are not permitted, in connection with the purchase or sale, directly or indirectly, of a security held or to be acquired by a client:

- To defraud such client in any manner;
- To mislead such client, including by making a statement that omits material facts;
- To engage in any act, practice or course of conduct which operates or would operate as a fraud or deceit upon such a client;
- To engage in any manipulative practice with respect to such client; or
- To engage in any manipulative practice with respect to securities, including price manipulation.

**Conflicts of Interest**

As a fiduciary, QUANTUM has an affirmative duty of care, loyalty, honesty, and good faith to act in the best interests of its clients. Compliance with this duty can be achieved by avoiding conflicts of interest and by fully disclosing all material facts concerning any conflict that does arise with respect to any client. Employees should try to avoid any situation that has even the appearance of conflict or impropriety.

**Insider Trading**

Supervised persons are prohibited from trading, either personally or on behalf of others, while in possession of material, nonpublic information. All employees are prohibited from communicating material nonpublic information to others in violation of the law.

**Personal Securities Transactions**

All employees are required to comply with the firm's policies and procedures regarding personal securities transactions.

**Gifts and Entertainment**

A conflict of interest occurs when the personal interests of employees interfere or could potentially interfere with their responsibilities to the firm and its clients. The overriding principle is that supervised persons should not accept inappropriate gifts, favors, entertainment, special accommodations, or other things of material value that could influence their decision-making or make them feel beholden to a person or firm. Similarly, supervised persons should not offer gifts, favors, entertainment or other things of value that could be viewed as overly generous or aimed at influencing decision-making or making a client feel beholden to the firm or the supervised person.

## **Gifts**

No supervised person may receive any gift, service, or other thing of more than de minimis value from any person or entity that does business with or on behalf of the adviser. No supervised person may give or offer any gift of more than de minimis value to existing clients, prospective clients, or any entity that does business with or on behalf of the adviser without pre-approval by the Chief Compliance Officer.

## **Cash**

No supervised person may give or accept cash gifts or cash equivalents to or from a client, prospective client, or any entity that does business with or on behalf of the adviser without pre-approval by the Chief Compliance Officer.

## **Entertainment**

No supervised person may provide or accept extravagant or excessive entertainment to or from a client, prospective client, or any person or entity that does or seeks to do business with or on behalf of the adviser. Supervised person may provide or accept a business entertainment event, such as dinner or a sporting event, of reasonable value, if the person or entity providing the entertainment is present.

## **Confidentiality**

Information concerning the identity of security holdings and financial circumstances of clients is confidential. All information about clients must be kept in strict confidence, including the client's identity (unless the client consents), the client's financial circumstances, the client's security holdings, and advice furnished to the client by the firm.

Any employee is prohibited from disclosing to persons outside the firm any material nonpublic information about any client, the securities investments made by the firm on behalf of a client, information regarding the firm's trading strategies, except as required to effectuate securities transactions on behalf of a client or for other legitimate business purposes.

## **Service on a Board of Directors**

Because of the high potential for conflicts of interest and insider trading problems, investment personnel may not serve on the boards of directors of any public companies without previous approval from the Chief Compliance Officer. A director of a private company is required to resign at the end of the current term if the company goes public during his or her term as a director.

## **Marketing and Promotional Activities**

All oral and written statements, including those made to clients, prospective clients, their representatives, or the media must be professional, accurate, balanced, and not misleading in any way. Any promotional materials must be pre-approved.

## ***VI. Other Outside Activities***

### **General**

Employees are prohibited from engaging in outside business or investment activities that may interfere with their duties with the firm. Outside business affiliations, including directorships of private companies,

consulting engagements, or public/charitable positions must be approved in writing by the Chief Compliance Officer.

### **Fiduciary Appointments**

Approval must be obtained from the Chief Compliance Officer before accepting an executorships, trusteeship, or power of attorney, other than with respect to a family member. Fiduciary appointments on behalf of family members must be disclosed at the inception of the relationship.

### **Creditors Committees**

Employees are prohibited from serving on a creditors committee except as approved by the firm as part of the person's employment duties.

### **Disclosure**

Employees should disclose any personal interest that might present a conflict of interest or harm the reputation of the firm.

## ***VII. Chief Compliance Officer***

Jack T. Kowal is serving as Chief Compliance Officer of Quantum Financial Services Inc.

## ***VIII. Reporting Violations***

All employees are required to report violation of the firm's the Code promptly to the Chief Compliance Officer.

### **Confidentiality**

All reports will be treated confidentially to the extent permitted by law and investigated promptly and appropriately. Reports may not be submitted anonymously.

### **Types of Reporting**

The types of violation reporting, such as noncompliance with applicable laws, rules, and regulations; fraud or illegal acts involving any aspect of the firm's business; material misstatements in regulatory filings, internal books and records, clients' records or reports; activity that is harmful to clients including fund shareholders, and deviations for required controls and procedures that safeguard clients and the firm.

### **Apparent Violations**

Employees are required to report "apparent" or "suspected" violations in addition to actual or known violations of the Code.

### **Retaliation**

Retaliation against an individual who reports a violation is prohibited and constitutes a further violation of the Code.

## **IX. Sanctions**

Any violations of the Code of Ethics will result in disciplinary action that a designated person deems appropriate, including, including but not limited to, a warning, fines, disgorgement, suspension, demotion, or termination of employment. In addition to sanctions, violations may result in referral to civil or criminal authorities where appropriate.

## **X. Definitions**

- Access Person - An access person is any one that may have access to client information.
- Supervised Person - Includes Directors, officers, and partners of the firm, employees of the firm, and any other person who provides advice on behalf of the adviser and is subject to the adviser's supervision and control.
- Covered Securities - Any stock, bond, future, investment contract or any other instrument that is considered a "security" under the Investment Advisers Act. Covered securities do not include:
- Direct obligations of the US Government (e.g., treasury securities)
  - Bankers' acceptances, bank certificates of deposit, commercial paper, and high quality short-term debt obligations, including repurchase agreements.
  - Shares issued by money market funds
  - Shares of open-end mutual funds that are not advised or sub-advised by the firm
  - Shares issued by unit investment trusts that are invested exclusively in one or more open-end funds, none of which are funds advised or sub-advised by the firm.

## **Item 12 - Brokerage Practices**

### **Recommendation of a Broker Custodian**

We generally recommend Charles Schwab and Company, Inc. of San Francisco, California. Schwab is a member of the New York Stock Exchange (NYSE) and Securities Investor Protection Corporation (SIPC).

In recommending this broker, we have evaluated them and have determined they offer our clients an excellent blend of service, financial strength, competitive commission rates, access to mutual funds otherwise not available to us or our clients, among other factors. We participate in back office and support programs sponsored by Schwab. The programs and services provided, including trading platforms that are essential to our service arrangements and capabilities. We

generally do not accept clients who direct us to use other broker custodians. As part of our participation in these programs, we receive benefits that we would not receive if we did not offer investment advice. Not all advisors require a client to direct the use of specific and recommended brokers.

Schwab also makes available to QFSI other products and services that benefit QFSI but may not benefit its clients' accounts. Some of these other products and services assist QFSI in managing and administering clients' accounts. These include software and other technologies that provide access to client account data (such as trade confirmations and account statements) facilitate trade execution, provide research, pricing information and other market data. In addition, Schwab may make available, arrange and/or pay for these types of services rendered to QFSI rendered by third parties.

Even though we recommend specific broker custodians, you should evaluate each broker to ensure that the broker selected will provide the best blend of service and cost.

### **Item 13 – Review of Accounts**

The applicant will review on a periodic basis the investments of each account. On at least an annual basis the applicant will review the financial position of each client to determine if there should be any adjustments to their goals and objectives.

### **Item 14 – Client Referrals and Other Compensation**

Quantum Financial Services Inc. accepts client referrals from other professional advisors including but not limited to Attorneys, Certified Public Accountants and Insurance agents. We obtain a majority of the referrals from our existing clients. At no time does Quantum Financial Services Inc. compensate anyone for their referrals. Quantum Financial Services Inc. does not receive compensation for any referral that we make other than back office support from Charles Schwab and Co. as detailed in Item 12.

### **Item 15 – Custody**

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. Quantum Financial Services Inc. urges you to carefully review such statements and compare such official custodial records to the account statements that we may



provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

#### **Item 16 – Investment Discretion**

Firm is provided discretionary authority through the signing by the client of a Limited Power of Attorney.

#### **Item 17 – Voting Client Securities**

As a matter of firm policy and practice, Quantum Financial Services Inc. does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Quantum Financial Services Inc. may provide advice to clients regarding the clients' voting of proxies.

#### **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Quantum Financial Services Inc's financial condition. Quantum Financial Services Inc. has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.